

Facts About THDA's HOUSE Grant Program

Background and General Information

- The HOUSE (Housing Opportunities Using State Encouragement) program was a State funded program administered by THDA from 1989-1999.
- HOUSE grants were funded by portions of the real estate transfer tax and the mortgage recording tax. Specifically, an allocation of 15.15% of the real estate transfer tax levied by T.C.A. § 67-4-409(a) and an allocation of 13% of the mortgage tax levied by T.C.A. § 67-4-409(b).
- HOUSE operated in two phases, Entitlement and Demonstration. Entitlement grants to cities or counties ensure that the grantee received a commitment for the awarded funds, provided the grantee provided equal matching funds. Demonstration grants were grants awarded to counties, cities, and non-profit organizations, and are awarded from money not awarded during the Entitlement phase.

Grant Allocations

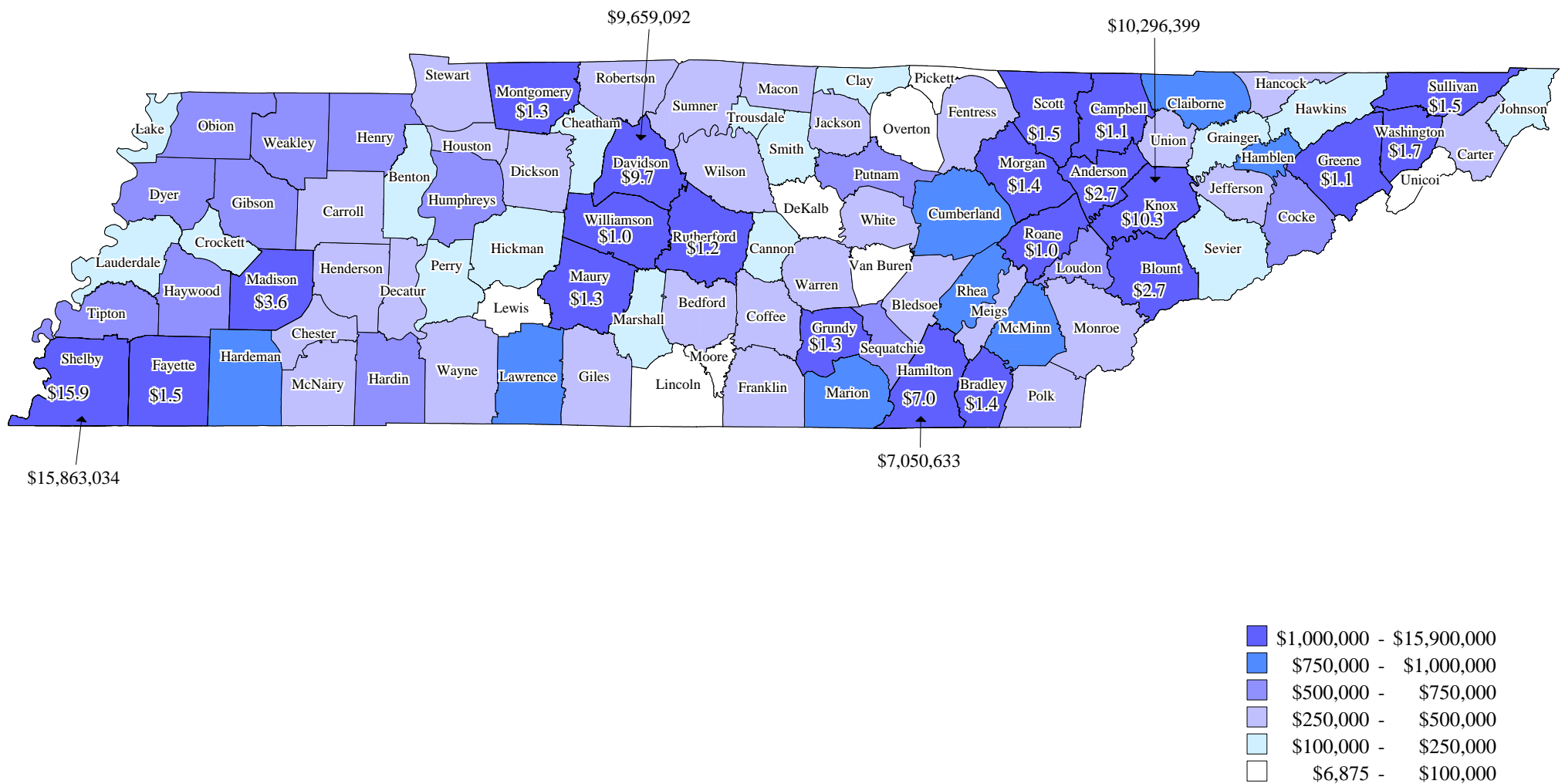
- During the entire program, THDA awarded over \$98 million dollars in HOUSE grants throughout the state of Tennessee.
- Each county has received grant funds, the breakdown of which can be viewed on the back of this page.
- East Tennessee was granted the most HOUSE funds during the program, followed by West Tennessee, and finally, Middle Tennessee.
- HOUSE funded many types of projects, including acquisition, rehabilitation, and new construction. Owner-rehabilitation was the most common activity, as \$48,452,942 has been used in these projects, followed by single family new construction, which used \$20,620,437.

Beneficiaries

- Over 13,300 households have benefited from the HOUSE program during its 10 year existence.
- Over 75% of HOUSE beneficiaries are considered very low income (at or below 50% of the area median income in their county).
- The remainder of HOUSE beneficiaries are considered low income (at or below 80% of the area median income in their county).
- Over 50% of HOUSE beneficiaries are minorities.
- Annual median income of HOUSE beneficiaries is less than \$14,000.

HOUSE Dollars Allocated by County

1989-1999



The Economic Impact of Tennessee HOUSE Grants

The economic impact of the HOUSE program goes beyond the sectors in which program money was spent. Through the impact multipliers or “ripple” effect, the affordable housing program affects all industries in the economy. THDA used the IMPLANpro input-output model to calculate these “ripple” effects on Tennessee’s economy. The IMPLAN model calculates total business revenues, personal income, and total employment. For each of these categories, the IMPLAN model provides direct, indirect, and induced impacts.¹ Here is a brief description of each of these concepts:

1. *Business revenue.* This refers to total economic activity generated by the affordable housing program spending in the economy.
2. *Personal income.* This refers to how much income people in the economy receive because of the spending associated with the HOUSE program.
3. *Employment.* This concept refers to how many jobs are generated because of the administration of the HOUSE program in the economy.

In calculating these various impacts for each year, THDA converts all monetary values to the 2005 values to provide a cohesive picture of the HOUSE program’s effect. THDA used IMPLAN’s default price index to get inflation adjusted 2005 dollar values of the program spending and its economic impact.

Results:

- THDA disbursed a total of \$127 million (in 2005 value) inflation adjusted grants money for low income families between 1989 and 1999. This spending generated an additional economic impact of \$106 million (indirect and induced) through business revenue multipliers. Therefore, **for every dollar spent through the program, an additional \$0.84 is generated throughout the economy.**

¹ THDA thanks Business and Economic Research Center (BERC) of Jennings A. Jones College of Business, Middle Tennessee State University, for allowing THDA to use their IMPLAN model in calculating economic impact figures. BERC is not responsible for any errors in interpreting and presenting the results.

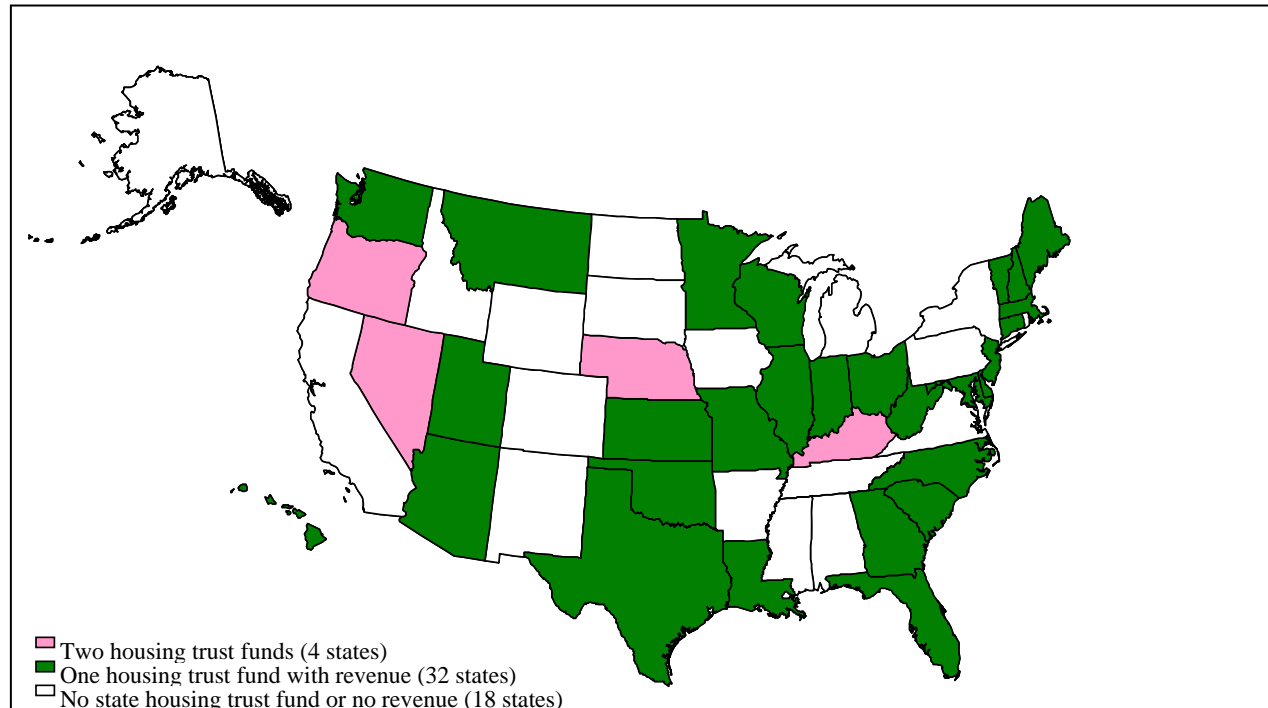
- In the period that the program was administered, individuals received \$32 million (in 2005 values) in wages and salaries. Additional personal income generated through the ripple effect is \$37 million (in 2005 values). **For every dollar of direct personal income, an additional \$1.14 of personal income is generated throughout the economy.**
- The HOUSE program provided employment opportunities for many individuals. The direct total employment impact of the program is 860 jobs primarily in the construction sector. In addition, nearly 994 additional jobs are created throughout the economy across a variety of industries. **For every one hundred jobs created by the HOUSE program, an additional 116 jobs are created through the ripple effect.**

THDA did not take into account any consumption spending associated with the new homeowners. Therefore, THDA's impact assessment of the HOUSE program is conservative.

HOUSE Funds Leveraged Other Funds – In addition to these economic impacts, the HOUSE program successfully leveraged other funding sources for housing in Tennessee. These included federal dollars as well as privately contributed funds. According to studies performed by THDA, **for every one dollar of HOUSE funds, another \$1.84 was leveraged to be used for housing low-income Tennesseans.**

The full report, “The Economic Impact of the Tennessee HOUSE Grants” is available on THDA's website, at tennessee.gov/thda. Click on Research & Planning Reports and it will be listed under research. Or call Lorrie Shearon, Director of Research & Planning, 615-741-9671.

State Housing Trust Funds



Source: Mary E. Brooks, *Housing Trust Fund Progress Report 2002: Local Responses to America's Housing Needs*, Housing Trust Fund Project, Center for Community Change, June 2002, p. 8. Note: Like Tennessee, funding for California's housing trust fund now accrues to the state's general fund, although authorizing legislation for the trust fund continues to exist.

Sources of Funding:

(some states have more than one funding source)

12 states' trust funds come from state appropriations or general funds;

14 states' trust funds come from document recording fees or real estate transfer taxes;

14 states' trust funds come from a variety of other sources

HOUSE Provides a Financial Alternative to Predatory Lending Practices

“Predatory lending refers to abusive or fraudulent subprime lending practices, such as making unaffordable asset-based loans – i.e., basing a loan on equity in a property rather than a borrower’s ability to repay – or convincing a borrower to refinance a loan repeatedly to collect unnecessary fees. Predatory loans can substantially reduce homeowners’ net worth, as home equity comprises over half the net worth of certain households, particularly minority and low-income households. Although many do not engage in the practice, lenders that make predatory loans extract a sizeable price from homeowners. One research organization estimates Tennessee homeowners lose over \$142 million annually because of predatory lending practices. According to THDA’s 2002 Housing Summit survey results, all areas of the state believed predatory lending was “somewhat a problem” in their communities.”*

THDA has also been involved in anti-predatory lending efforts in the state, including as an ongoing participant in the Memphis and Shelby County Anti-Predatory Lending Coalition. The availability of affordable financial alternatives for low-income families is generally considered one of the desirable tools for combating predatory lending practices.

*Taken from *A Place to Call Home: A Look at Housing in Tennessee*, published by the Tennessee Comptroller of the Treasury, February 2005, page 34. Original sources cited therein.

Who Needs HOUSE?

In Tennessee, more than one out of every six low- and very-low income homeowners spend more than 30% of their income for housing costs and also have significant problems with their housing unit¹. This amounts to more than 230,000 households statewide. HOUSE dollars, used for both new constructions and for homeowner rehabilitation, target these low- and very low-income households. Besides helping families alleviate the difficulties caused by housing unit problems and cost burden, many additional benefits are realized for both household and community. By making the dream of homeownership possible for those who have no other path to the American dream, and by providing financial assistance for desperately needed home improvements when the cost is simply out of reach, some lower-income families are able to stay in their homes where they might otherwise have to relocate. Other low-income families are able to become homeowners where this was previously just a dream. Low-income elderly residents are able to continue living in the communities that they have called home. All of these things help to increase neighborhood stability. Neighborhood stability leads to a host of other positive benefits including higher levels social involvement, higher voter participation, and higher levels of house maintenance activities. These things in turn benefit the local economy through higher taxes for new and improved homes (compared to a dilapidated or abandoned unit), and also by countering the devastating effect of neighborhood blight on property values. Homeownership is related to greater levels of life satisfaction and attainment, and enhances both psychological and physical health. HOUSE dollars then result not only in making dreams come true through new opportunities for homeownership or rehabilitation of homes but also, and much more significantly, provide for the “re-habilitation” of family, neighborhood and community.

¹ From the Comprehensive Housing Affordability Study (CHAS), a special tabulation of Census 2000 data available from HUD.

“Family A”

Mr. and Mrs. X raised seven children in their small rural home. When they applied for assistance through an area non-profit's Home Repair / Improvement Program the house was twenty years old and had only two payments left on the original mortgage. The family was raised by wages Mr. X earned at a local sawmill. Twenty years of child rearing responsibilities had left little of their meager income for home maintenance and the house showed it. The interior surfaces of the house were not contracted for the original construction: the family had completed the house themselves. The underpinning, porches, and steps were originally constructed of salvage from a nearby railroad structure and had since rotted away. The exterior doors had never been painted. A water leak in the copper lines had been addressed with electrical tape resulting in damaged floor sheathing. Heating was supplied by a wood stove at one end of the house. The bedrooms and bath at the opposite end of the house were unheated. Half of the windows were broken and the yard testified to a down trodden spirit. The old tiller frames, mowers, a dog pen, and fire pit were all removed from the property as part of the grant agreement.

The kitchen, utility, dining room, and entry floors were all cut out. With the cabinets, washer, and dryer out of the way, sheet rock damage surfaced. The new floors were covered with vinyl and the walls repainted. New porches and steps were constructed of pressure treated lumber. The old plank underpinning was replaced with concrete block. All the windows and both doors were replaced. A local cabinet maker finished the kitchen. A central heat and air system replaced the wood stove and the floors and ceilings were insulated.

The mayor personally thanked the non-profit for correcting what he considered an eyesore. The success of this project is not only having saved a low income house for the current occupants and the generation to come, but the obvious effect it has had for the spirits of the family. Mr. X sold his hunting rifle so that his wife would have money for curtains: something she had never had. He constructed a new cosmetically presentable dog pen and now shows pride in his home, yard, and community.



BEFORE



AFTER



BEFORE



AFTER

“Family B”

Mr. and Mrs. Y’s family dwelling is located in a hollow at the dead end of a rural county graveled road in middle Tennessee. At the time of assistance, Mrs. Y was employed part time with a small local clothing business. Mr. Y’s health had deteriorated to the point that he could no longer handle the sawmill work that had served as his life long vocation. Their only son was scheduled that spring to be the first family member to graduate from high school. The family hauled all their water in gallon jugs from a spring five miles away.

One of the county’s concerned residents called the main office of Highland Rim Economic Corporation to inquire about an advertisement she had seen in the local paper. She knew of a local family that for the past twenty years had no running water and requested that an inspection be done. The agency agreed to install a bathroom for the family but that turned out to be more involved than first anticipated. The acquisition of a sink, toilet, and tub was no great task, but a safe electrical supply for the water heater and the location of it were not considered prior to the commitment. The house required a complete rewiring and the new bathroom was located on what had been the back porch. The entire structure required attention. Several of the window holes had no windows and were covered with thin plastic and the others were not worth salvage or repair. The kitchen floor had been constructed below grade and had consequently rotted out. The siding had deteriorated to the point of an eye sore and the home lacked any sign of insulation other than a thin layer of dust in the attic.

With a combination of various funding sources, including HOUSE, the structural problems were addressed. New windows and attic insulation were installed, a new floor system was constructed of pressure treated material and marine grade plywood, the entire structure was wrapped with insulation board and covered with white vinyl, piers and beams were added to break the joist span on the south end rooms, and the house was underpinned with concrete blocks. All of the new additions brought tears of joy and gratitude to Mrs. Y’s eyes.



BEFORE



AFTER



BEFORE



AFTER